



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

# *Montana Arts Council*

*For the Two Fiscal Years Ended  
June 30, 2021*

MAY 2022

LEGISLATIVE AUDIT  
DIVISION

21-24

**LEGISLATIVE AUDIT  
COMMITTEE**

**REPRESENTATIVES**

**KIM ABBOTT**

[Kim.Abbott@mtleg.gov](mailto:Kim.Abbott@mtleg.gov)

**DENISE HAYMAN, CHAIR**

[Denise.Hayman@mtleg.gov](mailto:Denise.Hayman@mtleg.gov)

**EMMA KERR-CARPENTER**

[Emma.KC@mtleg.gov](mailto:Emma.KC@mtleg.gov)

**TERRY MOORE**

[terry.moore@mtleg.gov](mailto:terry.moore@mtleg.gov)

**MATT REGIER**

[Matt.Regier@mtleg.gov](mailto:Matt.Regier@mtleg.gov)

**JERRY SCHILLINGER**

[jerry.schillinger@mtleg.gov](mailto:jerry.schillinger@mtleg.gov)

**SENATORS**

**JASON ELLSWORTH, VICE CHAIR**

[Jason.Ellsworth@mtleg.gov](mailto:Jason.Ellsworth@mtleg.gov)

**JOHN ESP**

[Johnesp2001@yahoo.com](mailto:Johnesp2001@yahoo.com)

**PAT FLOWERS**

[Pat.Flowers@mtleg.gov](mailto:Pat.Flowers@mtleg.gov)

**TOM JACOBSON**

[Tom.Jacobson@mtleg.gov](mailto:Tom.Jacobson@mtleg.gov)

**TOM MCGILLVRAY**

[Tom.McGillvray@mtleg.gov](mailto:Tom.McGillvray@mtleg.gov)

**MARY McNALLY**

[McNally4MTLeg@gmail.com](mailto:McNally4MTLeg@gmail.com)

MEMBERS SERVE UNTIL A  
MEMBER'S LEGISLATIVE TERM  
OF OFFICE ENDS OR UNTIL A  
SUCCESSOR IS APPOINTED,  
WHICHEVER OCCURS FIRST.

§5-13-202(2), MCA

**FRAUD HOTLINE**  
(STATEWIDE)  
1-800-222-4446  
(IN HELENA)  
444-4446  
[LADHotline@mt.gov](mailto:LADHotline@mt.gov)  
[www.montanafraud.gov](http://www.montanafraud.gov)

**FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by September 30, 2022.

---

**AUDIT STAFF**

---

STEVEN ALTHOFF  
DONALD ERDMANN

JENNIFER ERDAHL  
ALEXA O'DELL

---

Reports can be found in electronic format at:  
<https://leg.mt.gov/lad/audit-reports>

# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

May 2022

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Arts Council (council) for each of the fiscal years ended June 30, 2021, and 2020. We completed work over grants issued by the council, federal revenues and transfers in, Cultural Trust investment earnings, direct entries to fund equity, and budget authority. We also reviewed compliance with selected state laws and determined the implementation status of one prior audit recommendation.

In fiscal year 2021, the council received \$1.4 million from the Coronavirus Aid, Relief, and Economic Security Act. One million was transferred from the Governor's Office and \$424,000 was provided directly from the National Endowment of the Arts. The council used funds to provide grants to individuals and entities impacted by the COVID-19 public health emergency.

Our work resulted in no recommendations to the council.

The council's written response is included in the audit report on page C-1. We thank the executive director and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

*/s/ Angus Maciver*

Angus Maciver  
Legislative Auditor



# TABLE OF CONTENTS

Figures and Tables.....	ii
Appointed and Administrative Officials .....	iii
Report Summary .....	S-1
<b>CHAPTER I – INTRODUCTION AND BACKGROUND .....</b>	<b>1</b>
Introduction .....	1
Background.....	1
Prior Audit Recommendation .....	3
<b>INDEPENDENT AUDITOR’S REPORT AND COUNCIL FINANCIAL SCHEDULES</b>	
Independent Auditor’s Report .....	A-1
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2021 .....	A-4
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2020 .....	A-5
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2021.....	A-6
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2020 .....	A-7
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2021 .....	A-8
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2020 .....	A-9
Notes to the Financial Schedules .....	A-11
<b>REPORT ON INTERNAL CONTROL AND COMPLIANCE</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance With <i>Government</i> <i>Auditing Standards</i> .....	B-1
<b>COUNCIL RESPONSE</b>	
Montana Arts Council .....	C-1

# FIGURES AND TABLES

## Figures

Figure 1	Grant Expenditures.....	3
----------	-------------------------	---

## APPOINTED AND ADMINISTRATIVE OFFICIALS

			<u>Term Expires</u> <u>February 1</u>
<b>Montana Arts Council</b>	Tom Cordingley, Acting Chair*	Helena	2023
	Angella Ahn	Bozeman	2023
	Sarah Calhoun	White Sulphur Springs	2025
	Corwin Clairmont	Ronan	2023
	Sean Chandler	Harlem	2025
	Troy Collins	Hamilton	2027
	Wylie Gustafson	Conrad	2025
	Julie Mac	Whitefish	2027
	John Moore	Miles City	2027
	Greg Murphy	Billings	2027
	Linda Netschert	Helena	2025
	Bridger Pierce	Missoula	2027
	Jay Pyette	Havre	2023
	Angela Russell	Lodge Grass	2025
	Steve Zabel	Bozeman	2023

\*Cynthia Andrus was the chair through February 2022. The governor has not yet designated one of the council members as the new chair.

### **Administrative**

Tatiana Gant, Executive Director  
Jenifer Alger, Chief Financial Officer

For additional information concerning the Montana Arts Council, contact:

Jenifer Alger  
Chief Financial Officer  
Montana Arts Council  
830 N. Warren St.  
Helena, MT 59601  
(406) 444-6489  
e-mail: [JeniferAlger@mt.gov](mailto:JeniferAlger@mt.gov)







## MONTANA LEGISLATIVE AUDIT DIVISION

# Montana Arts Council

## FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2021

### BACKGROUND

The Montana Arts Council was established to develop the creative potential of all Montanans, advance education, spur economic vibrancy, and revitalize communities through involvement in the arts.

The council strives to make Montana known far and wide as “The Land of Creativity,” where the arts are essential to the creativity, imagination, and entrepreneurship that make Big Sky Country the very best place on earth to live, learn, work and play.

The council consists of 15 members appointed by the governor to serve five-year terms. The council’s operations are supported through seven full-time equivalent positions. The council receives funding from the National Endowment for the Arts, investment earnings from the Cultural Trust Permanent Fund, Percent for Arts allocations from appropriations for state buildings, private grants, and General Fund appropriations.

The Montana Arts Council receives National Endowment for the Arts (NEA) grants which they award to various artists and entities. In fiscal year 2021 the council received NEA funding in response to the pandemic and Coronavirus Aid, Relief, and Economic Security (CARES) Act funds which resulted in awarding \$1.2 million in additional grants to artists or art programs.

### **AUDITOR’S OPINION (page A-1): UNMODIFIED**

We found the council’s financial schedules and note disclosures presented fairly the activity of the council, in all material respects, and issued unmodified opinions on them. This means that a reader can rely on the information in the council’s financial schedules and notes presented in this report.

For the full context of the council’s financial activity, see the financial schedules and notes beginning on page A-4.

### **RECOMMENDATIONS:**

This report contains no recommendations to the council.

In this report, we determined the implementation status of recommendations in the prior audit:

Fully Implemented: 1

### **SUMMARY OF AUDIT WORK:**

We focused our audit effort on activity related to grants, investments, federal revenue and transfers-in, direct entries, and budget authority. For fiscal year 2021, this includes \$1.4 million in federal revenue and transfers-in received in response to the Coronavirus and the \$1.2 million spent from these funds in the form of grants to individuals and entities. Our audit work also included an overall review of the financial schedules and note disclosures for reasonableness.

For the full report or more information, contact the Legislative Audit Division.

[leg.mt.gov/lad](http://leg.mt.gov/lad)

Room 160, State Capitol  
PO Box 201705  
Helena, MT 59620-1705  
(406) 444-3122

The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

To report fraud, waste, or abuse:

Online  
[www.Montanafraud.gov](http://www.Montanafraud.gov)

Email  
[LADHotline@mt.gov](mailto:LADHotline@mt.gov)

Call  
(Statewide)  
(800) 222-4446 or  
(Helena)  
(406) 444-4446

Text  
(704) 430-3930

## **REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):**

In this report, we identified the following:

Material Weaknesses in Internal Control: 0

Significant Deficiencies in Internal Control: 0

Material Non-Compliance: 0

Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

# Chapter I – Introduction and Background

## **Introduction**

We performed a financial-compliance audit of the Montana Arts Council (council) for each of the fiscal years ended June 30, 2021, and 2020. The objectives of the audit were:

1. Determine whether the council's financial schedules present fairly, in all material respects, the results of operations and changes in fund equity.
2. Obtain an understanding of the council's control systems to the extent necessary to support our audit of the financial schedules and, if appropriate, make recommendations for improvements in management and internal controls for the council.
3. Determine whether the council complied with selected state laws and regulations.
4. Determine the implementation status of the prior audit recommendation.

Our audit effort focused on grants awarded by the council, federal revenues and transfers-in, Cultural Trust investment earnings, direct entries to fund equity, and budget authority. We reviewed and tested selected council control systems throughout the audit and determined compliance with selected state laws and regulations. We issued unmodified opinions on the financial schedules for each fiscal year under audit. The Independent Auditor's Report begins on page A-1, followed by the financial schedules and accompanying notes.

## **Background**

The council consists of 15 members appointed by the governor, confirmed by the senate, who serve five-year terms. The council is responsible for the agency's governance, management, and control. The agency has seven full-time equivalent positions to conduct its operations. State law designates the council as the state's official agency to receive and disburse funds made available by the National Endowment for the Arts (NEA).

In addition to funding from the NEA, the council receives investment earnings from the Cultural Trust Permanent Fund, Percent for Arts allocations from appropriations for state buildings, private grants, and General Fund appropriations. The council duties are to:

1. Encourage the study and presentation of the arts statewide.
2. Stimulate public interest and participation in the arts.
3. Cooperate with public and private institutions engaged in artistic and cultural activities.
4. Foster public interest in the cultural heritage of Montana and expand the state's cultural resources.
5. Encourage and assist freedom of artistic expression.
6. Nominate three individuals to serve as the state poet laureate.

Along with disbursing grants and awards, the council administers various programs such as Artists in Schools and Communities, Poetry Out Loud, and Montana Artrepreneur Program (MAP). The council

developed the MAP program to help artists with their business goals and outcomes. In previous years, private grants and state funds supported the program. Now, the program relies solely on state funding.

Funding from NEA is used to grant funds to entities under the following programs.

- ♦ **Artists in Schools and Communities (AISC)** – awarded annually to nonprofit organizations, tribal arts program, or educational entities to support a wide range of arts learning experiences to citizens of all ages and abilities.
- ♦ **Public Value Partnerships (PVP)** – awarded annually to nonprofit organizations or tribal or university arts programs to provide operating support for the artistic and educational mission of Montana arts organizations.
- ♦ **Statewide Service Organizations (SSO)** – awarded annually to statewide service organizations operating in Montana for a minimum of five years and with a nonprofit status. Grants provide operating support for organizations to expand opportunities for all Montanans to create, participate in, and appreciate Montana's wide range of cultural resources.

The above grants require a state match component and some AISC and PVP grants are also funded with just state funds.

The following grants are awarded to individuals or entities and are funded with General Fund or private donations.

- ♦ **Strategic Investment grants (SIG)** – awarded annually to individuals or nonprofits for expenses related to opportunities for professional development, market expansion, and art events. In fiscal years 2020 and 2021, \$27,932 and \$22,114 in General Fund dollars were spent on these grants, respectively.
- ♦ **Artist Innovation Awards (AIA)** – awarded every other year to individuals, or groups of artists represented by an individual, to support the risk-taking necessary to expand an artist's vision and practice. In fiscal year 2020, \$30,000 was spent on these grants from the General Fund.

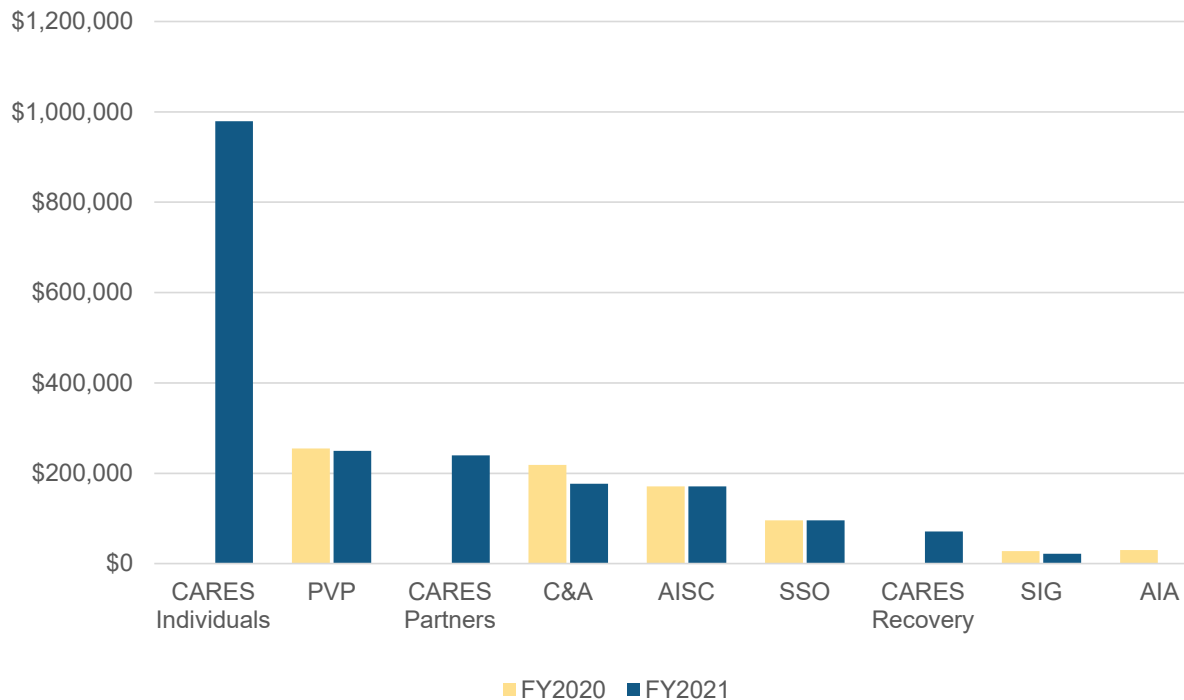
In fiscal year 2021, additional grants of \$1.2 million were awarded under the \$1.4 million received in response to the Coronavirus. These grants include:

- ♦ **Individuals** – awarded to individuals to offset lost opportunities related to the pandemic.
- ♦ **Partners** – awarded to PVP grant recipients for personnel and operating expenses.
- ♦ **Recovery** – awarded to individuals, nonprofits, or units of government for costs related to postponed and canceled arts opportunities associated with the pandemic.

The council also administers the Cultural and Aesthetic (C&A) grants, which are funded through the investment earnings of the Cultural and Aesthetic Trust. The trust is funded with a percentage of coal taxes. Grants are awarded to nonprofits, governing units, or individuals to support a robust cultural environment through programs that impact visual, performing, or literary media arts, history archaeology, folklore, archives libraries, and collections, or historic preservation and renovation of cultural facilities. Funded grants are included in House Bill 9 each legislative session.

Figures below illustrate the grant expenditures for each of the previously-listed grant programs during fiscal years 2020 and 2021.

Figure 1  
**Grant Expenditures**  
FY20 and FY21



Source: Compiled by the Legislative Audit Division from the Statewide Budget and Human Resources System (SABHRS).

### **Prior Audit Recommendation**

The prior financial-compliance audit report contained one recommendation related to the Cultural and Aesthetic Grant internal controls. We recommended the council develop a standard grant reporting form that delineates major budget and expense categories to comply with state law and seek legislation to limit budget monitoring requirements. Starting with the 2022 grant cycle, the council requires additional budget information on their applications and the final report as recommended. The council chose not to seek legislation but rather update its requirements to meet the current statutory language. Based on this, we consider the recommendation implemented.



# **Independent Auditor's Report and Council Financial Schedules**





Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

### *Introduction*

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Arts Council for each of the fiscal years ended June 30, 2021, and 2020, and the related notes to the financial schedules.

### *Management's Responsibility for the Financial Schedules*

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the council's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, and liabilities.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinions on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the council as of June 30, 2021, and June 30, 2020, or changes in financial position for the years then ended.

***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, presents fairly, in all material respects, the results of operations and changes in fund equity of the Montana Arts Council for each of the fiscal years ended June 30, 2021, and 2020, in conformity with the basis of accounting described in Note 1.

***Emphasis of Matters***

As discussed in Note 1 – Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

The Federal Special Revenue Fund reports a significant increase in revenue and expenditure activity in fiscal year 2021, as a result of spending funds the council received from the Coronavirus Relief Fund, authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As discussed in Note 8 – COVID Funds, the council received \$1 million from the Governor's office and \$424,000 directly from the National Endowment for the Arts. Our opinion is not modified with respect to these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of the Montana Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements

and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the council's internal control over financial reporting and compliance.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

April 6, 2022

MONTANA ARTS COUNCIL  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Permanent Fund
FUND EQUITY: July 1, 2020	\$ (15,080)	\$ 315,650	\$ 0	\$ 16,638,358
ADDITIONS				
Budgeted Revenues & Transfers-In		475,938	2,045,936	
Nonbudgeted Revenues & Transfers-In		23,350		249,339
Prior Year Revenues & Transfers-In Adjustments	(111)	(34)	102	(423)
Direct Entries to Fund Equity	454,138	(30,000)		259,166
Total Additions	454,027	469,254	2,046,038	508,081
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	456,679	424,599	2,046,195	
Nonbudgeted Expenditures & Transfers-Out	(258)	10,248		475,938
Prior Year Expenditures & Transfers-Out Adjustments	(111)	(34)	(157)	
Total Reductions	456,310	434,813	2,046,038	475,938
FUND EQUITY: June 30, 2021	\$ (17,363)	\$ 350,091	\$ 0	\$ 16,670,501

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

MONTANA ARTS COUNCIL  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Permanent Fund
FUND EQUITY: July 1, 2019	\$ <u>(12,833)</u>	\$ <u>111,904</u>	\$ <u>(1,999)</u>	\$ <u>15,630,891</u>
ADDITIONS				
Budgeted Revenues & Transfers-In		682,737	770,884	
Nonbudgeted Revenues & Transfers-In	1,549	14,099	2,420	1,181,685
Prior Year Revenues & Transfers-In Adjustments		(2,875)		(123)
Direct Entries to Fund Equity	<u>384,823</u>			<u>308,767</u>
Total Additions	<u>386,372</u>	<u>693,961</u>	<u>773,304</u>	<u>1,490,329</u>
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	387,309	467,035	769,125	
Nonbudgeted Expenditures & Transfers-Out	1,310	26,055	2,179	485,737
Prior Year Expenditures & Transfers-Out Adjustments		(2,875)	1	(2,875)
Total Reductions	<u>388,619</u>	<u>490,215</u>	<u>771,305</u>	<u>482,862</u>
FUND EQUITY: June 30, 2020	\$ <u>(15,080)</u>	\$ <u>315,650</u>	\$ <u>0</u>	\$ <u>16,638,358</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-11.

MONTANA ARTS COUNCIL  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Taxes			\$ 259		\$ 259
Investment Earnings				\$ 248,915	248,915
Grants, Contracts, and Donations		\$ 21,450			21,450
Transfers-in		475,938	826,696		1,302,634
Inception of Lease/Installment Contract	\$ (111)	(34)	(157)		(302)
Miscellaneous		1,900			1,900
Federal			1,219,240		1,219,240
Total Revenues & Transfers-In	(111)	499,254	2,046,038	248,915	2,794,095
Less: Nonbudgeted Revenues & Transfers-In		23,350		249,339	272,689
Prior Year Revenues & Transfers-In Adjustments	(111)	(34)	102	(423)	(467)
Actual Budgeted Revenues & Transfers-In	<u>0</u>	<u>475,938</u>	<u>2,045,936</u>	<u>0</u>	<u>2,521,874</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-11.

MONTANA ARTS COUNCIL  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Taxes			\$ 241		\$ 241
Investment Earnings				\$ 1,181,562	1,181,562
Grants, Contracts, and Donations		\$ 1,800			1,800
Transfers-in		679,862			679,862
Inception of Lease/Installment Contract	\$ 1,549	474	2,179		4,203
Miscellaneous		11,825			11,825
Federal			770,884		770,884
Total Revenues & Transfers-In	1,549	693,961	773,304	1,181,562	2,650,376
Less: Nonbudgeted Revenues & Transfers-In	1,549	14,099	2,420	1,181,685	1,199,753
Prior Year Revenues & Transfers-In Adjustments		(2,875)		(123)	(2,998)
Actual Budgeted Revenues & Transfers-In	0	682,737	770,884	0	1,453,621

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

MONTANA ARTS COUNCIL  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Promotion of the Arts	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 487,333	\$ 487,333
Other Compensation	7,025	7,025
Employee Benefits	171,542	171,542
Total	<u>665,900</u>	<u>665,900</u>
Operating Expenses		
Other Services	129,106	129,106
Supplies & Materials	24,278	24,278
Communications	24,059	24,059
Travel	1,216	1,216
Rent	45,791	45,791
Repair & Maintenance	92	92
Other Expenses	36,311	36,311
Total	<u>260,852</u>	<u>260,852</u>
Grants		
From State Sources	332,292	332,292
From Federal Sources	1,674,107	1,674,107
Total	<u>2,006,399</u>	<u>2,006,399</u>
Transfers-out		
Fund transfers	478,638	478,638
Total	<u>478,638</u>	<u>478,638</u>
Debt Service		
Capital Leases	1,309	1,309
Total	<u>1,309</u>	<u>1,309</u>
Total Expenditures & Transfers-Out	<u>\$ 3,413,099</u>	<u>\$ 3,413,099</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 456,310	\$ 456,310
State Special Revenue Fund	434,813	434,813
Federal Special Revenue Fund	2,046,038	2,046,038
Permanent Fund	475,938	475,938
Total Expenditures & Transfers-Out	3,413,099	3,413,099
Less: Nonbudgeted Expenditures & Transfers-Out	485,928	485,928
Prior Year Expenditures & Transfers-Out Adjustments	(302)	(302)
Actual Budgeted Expenditures & Transfers-Out	2,927,473	2,927,473
Budget Authority	3,479,757	3,479,757
Unspent Budget Authority	<u>\$ 552,284</u>	<u>\$ 552,284</u>
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 154,273	\$ 154,273
State Special Revenue Fund	254,530	254,530
Federal Special Revenue Fund	143,481	143,481
Unspent Budget Authority	<u>\$ 552,284</u>	<u>\$ 552,284</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.



MONTANA ARTS COUNCIL  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Promotion of the Arts	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 396,879	\$ 396,879
Other Compensation	1,650	1,650
Employee Benefits	136,079	136,079
Total	<u>534,608</u>	<u>534,608</u>
Operating Expenses		
Other Services	130,205	130,205
Supplies & Materials	28,246	28,246
Communications	28,008	28,008
Travel	38,600	38,600
Rent	47,865	47,865
Other Expenses	44,325	44,325
Total	<u>317,249</u>	<u>317,249</u>
Grants		
From State Sources	377,000	377,000
From Federal Sources	416,582	416,582
From Other Sources	5,000	5,000
Total	<u>798,582</u>	<u>798,582</u>
Transfers-out		
Fund transfers	482,562	482,562
Total	<u>482,562</u>	<u>482,562</u>
Total Expenditures & Transfers-Out	<u>\$ 2,133,002</u>	<u>\$ 2,133,002</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 388,619	\$ 388,619
State Special Revenue Fund	490,215	490,215
Federal Special Revenue Fund	771,305	771,305
Permanent Fund	482,862	482,862
Total Expenditures & Transfers-Out	2,133,002	2,133,002
Less: Nonbudgeted Expenditures & Transfers-Out	515,282	515,282
Prior Year Expenditures & Transfers-Out Adjustments	(5,749)	(5,749)
Actual Budgeted Expenditures & Transfers-Out	1,623,469	1,623,469
Budget Authority	2,766,290	2,766,290
Unspent Budget Authority	<u>\$ 1,142,821</u>	<u>\$ 1,142,821</u>
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 198,631	\$ 198,631
State Special Revenue Fund	434,210	434,210
Federal Special Revenue Fund	509,980	509,980
Unspent Budget Authority	<u>\$ 1,142,821</u>	<u>\$ 1,142,821</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.



# Montana Arts Council

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2021

## 1. Summary of Significant Accounting Policies

### Basis of Accounting

The Montana Arts Council uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Permanent). In applying the modified accrual basis, the council records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the council incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the council to record the cost of employees' annual and sick leave when used or paid.

Expenditures and expenses may include entire budgeted service contracts even though the council receives the services in a subsequent fiscal year; grant awards that have not been paid by fiscal year end; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

### Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. In June 2020 the Legislative Audit Committee voted to remove revenue estimates from the Statement of Total Revenues and Transfers-In.

The council uses the following funds:

### Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. The Montana Arts Council (MAC) uses general fund for some day-to-day operations and grant expenses.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Council State Special Revenue Funds include Cultural Aesthetic Projects, Percent for Art, Montana Artrepreneur Program, Private Donations, National Association of State Arts Agencies (NASAA) Creative Aging Grant, Arts Education Endowment and Governor's Award for Artists Endowment.
- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Council Federal Special Revenue Funds include the National Endowment for the Arts (NEA) and Coronavirus Relief Funds.

- ♦ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the council's programs. The council uses this fund for the Cultural Trust Fund and Sigerson Fellowship Exhibit.

## **2. General Fund Equity Balance**

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The council has authority to pay obligations from the statewide General Fund within its appropriation limits. The council expends cash or other assets from the statewide fund when it pays General Fund obligations. The council's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2020, and June 30, 2021.

## **3. Direct Entries to Fund Equity**

Direct entries to fund equity in the General, State Special Revenue and Permanent funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

## **4. Prior Year Expenditures and Transfers-Out**

In fiscal year 2020 some 2019 biennial cultural and aesthetics grants reverted and the expense accrual was reversed in both the State Special Revenue and Permanent Funds.

## **5. Prior Year Revenues and Transfers-In**

In fiscal year 2020 some 2019 biennial cultural and aesthetics grants reverted and the revenue accrual was reversed in the State Special Revenue Fund.

## **6. Transfers-In and Out**

The council transfers investment earnings from the Cultural Trust Permanent Fund to the State Special Revenue Fund for payment of grants and agency operations as authorized under §22-2-304, MCA. Transfers-Out in the Cultural Trust Permanent Fund and Transfers-In in the State Special Revenue Fund are \$482,737 and \$475,938 in fiscal years 2020 and 2021, respectively.

The council received a transfer in of \$200,000 of Percent for Art State Special Revenue funding in FY 2020 from the Department of Administration Architecture and Engineering Division. Percent for Art is authorized by §22-2-404, MCA, for art projects to be displayed in newly constructed state buildings.

An additional transfer in of \$826,696 in Federal Special Revenue funds was received in FY 2021 from the Governor's Office for Coronavirus Relief. Most of the funds were issued as grants to individuals and Montana based non-profit organizations.

## **7. Unspent Budget Authority**

The Schedule of Total Expenditures & Transfers-Out for FY 2020 presents unspent budget authority of \$198,631 in the General Fund, \$434,210 in the State Special Revenue Fund and \$509,980 in the Federal Special Revenue Fund. General fund unspent authority includes unused personal services, audit fees, State Information Technology Services Division (SITSD) restricted funds and a 30% carryforward from FY 2019. State Special Revenue Fund unspent authority includes remaining biennial appropriation for Cultural Trust grants and continuing appropriation authority for unfinished Percent for Art projects and maintenance. Federal Special Revenue Fund unspent authority includes continuing appropriation authority for the CARES Act of \$424,400 and partnership agreement award received from the NEA. The NEA extended the FY 2020 partnership agreement grant period end from December 31, 2020, to December 31, 2022.

The Schedule of Total Expenditures & Transfers-out for FY 2021 presents unspent budget authority of \$154,273 in the General Fund, \$254,530 in the State Special Revenue Fund and \$143,481 in the Federal Special Revenue Fund. General Fund unspent authority includes unused personal services, general operating authority, SITSD restricted funds and 30% carryforwards from FY 2019 and FY 2020. State Special Revenue Fund unspent authority includes unused appropriation for Cultural Trust grants and continuing appropriation authority for unfinished Percent for Art projects and maintenance. Federal Special Revenue Fund unspent authority includes unused Folk Arts award and continuing partnership agreement award received from the NEA. The NEA extended the FY 2021 partnership agreement grant period end from December 31, 2021, to December 31, 2022.

## **8. COVID Funds**

In FY 2020 MAC was awarded \$424,400 in CARES Act funds from the NEA to use for Covid relief. All of the funds were spent during FY 2021 and were issued as grants to individuals and Montana based non-profit organizations.

In FY 2021 MAC requested and received an administrative appropriation of \$1 million in Coronavirus Relief Funds (CRF) from the Governor's Office. MAC only spent \$819,184 on grants issued to individuals and Montana based non-profit organizations. The remaining \$180,816 was returned. MAC received an additional \$7,512 that was used to reimburse the agency for hiring a temporary accounting technician to assist with issuing CRF payments.

During the 2021 legislative session, MAC was appropriated \$764,000 of American Rescue Plan Act (ARPA) funds through HB 632. The ARPA funds were allocated to our agency through the NEA. The funds were not awarded until after the close of the legislative session. The actual amount of the award was \$754,500 and as of FYE 2021 none of the funds had been spent.



# **Report on Internal Control and Compliance**





# LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
William Soller

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Arts Council for each of the fiscal years ended June 30, 2021, and 2020, and the related notes to the financial schedules, and have issued our report thereon dated April 6, 2022.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial schedules, we considered the council's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control. Accordingly, we do not express an opinion on the effectiveness of the council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the council's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ *Cindy Jorgenson*

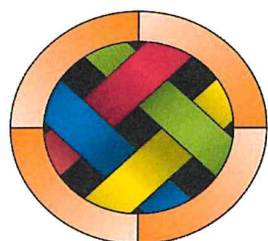
Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

April 6, 2022

MONTANA ARTS  
COUNCIL

COUNCIL RESPONSE





# MONTANA ARTS COUNCIL

an agency of state government

April 21, 2022

Angus Maciver  
Legislative Auditor  
Legislative Audit Division  
PO Box 201705  
Helena, MT 59620-1705

RECEIVED

APR 28 2022

LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

We would like to thank the Legislative Audit staff for their work to complete the Montana Arts Council Financial Compliance Audit for the two fiscal years ending June 30, 2021. We appreciate their professionalism and the rapport they established with our staff which made the process efficient.

We are pleased your report contains no audit recommendations. I assure you that we will strive to continue to maintain and improve the exceptional fiscal management of the Montana Arts Council. We always value input from your staff as we do so.

I am available to answer questions or provide further information that you or the Legislative Audit Committee may require.

Sincerely,

Tatiana Gant  
Executive Director